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UNCLAS SECTION 01 OF 11 ABU DHABI 005380

SIPDIS

DEPT FOR INL AND NEA/ARP
ISLAMABAD FOR DEA
JUSTICE FOR OIA, AFMLS, AND NDDS
TREASURY FOR FINCEN
DEA FOR OILS AND OFFICE OF DIVERSION CONTROL

E.O. 12958: N/A
TAGS: SNAR EFIN TC
SUBJECT: UAE: 2003-2004 INTERNATIONAL NARCOTICS
CONTROL STRATEGY REPORT

REFS: A) STATE 324347 B) STATE 328024

PART I. Summary:

Although not a narcotics producing nation, the UAE is

believed to be a transshipment point for traffickers moving illegal drugs from the major drug-producing countries, including Afghanistan, Iran, Pakistan, and India, westward. Frequent reports of seizures of illegal drugs in the UAE during the past year underscore this conclusion, although most seizures have been of "soft" drugs like hashish, not "hard" drugs like heroin. News stories about drug smuggling, dealing, and usage were reported in the local press in 2003. Besides the country's general laissez-faire attitude toward trade -- although not drugs -- there are several other factors that lend the UAE to this role of way-station, including its proximity to major drug cultivation regions in South Asia; a long (700 kilometers) coastline; and relative affluence among the local population.

Published statistics on narcotics seizures and domestic addiction reveal a growing drug problem among UAE and third-country nationals, which while not significant by American standards, is notable given the country's harsh drug laws. A Ministry of Health report in late 1998 asserts that there were approximately 12,500 drug addicts in the country of 3.1 million people.

All seven emirates that comprise the UAE sponsored a variety of public activities with an anti-drugs theme during International Drug Awareness Day in June. The Ministry of Interior's Federal Higher Anti-Drugs Committee is tasked with coordinating drug enforcement efforts for the seven emirates, as well as executing the country's anti-drug strategy. The UAEG Government (UAEG) is committed to the fight against international narcotics trafficking and narcotics abuse and is a signatory to the 1988 UN Drug Convention.

The UAEG has sought to crackdown on potential vulnerabilities in the financial markets and has provided outstanding cooperation in the international effort to prevent money laundering, particularly by terrorists. The UAEG implemented a law to criminalize money laundering, to include terrorist financing, in January 2002. End summary.

PART II. Status Of Country:

A major regional financial center and hub for commercial shipping and trade, the UAE is a transshipment point for illegal narcotics from the drug-cultivating regions of south and southwest Asia, to Europe and the United States. Illicit narcotics originating from these points have reached the United States, although Western Europe is the principal market for these drugs.

Statistics on drug-related cases released by the UAEG indicate that the majority of arrests for illegal trafficking occur in the northern emirates. Factors that contribute to the prominence of the northern emirates are the emergence of Dubai and Sharjah as regional centers in the transportation of passengers and cargo, a porous land border with Oman, and the fact that a number of ports in the UAE are de facto "free ports" -- transshipped cargo are not subject to inspection, as are other goods that enter the country.

To mark the occasion of International Anti-Narcotics Day on June 26, the UAEG released a report outlining the drug problem in the UAE. The report noted that the majority of UAE drug users take their first dose abroad, primarily because of peer pressure. Statistics reveal that 75 percent of drug users in the UAE prefer hashish, 13 percent use heroin, while 6 percent use morphine. The report illustrates a clear relationship between drug abuse and level of education -- 75 percent of arrested drug users in 2002 were high school graduates, but only 2 percent were university

graduates.

The UAE's Federal Supreme Court made an important ruling in 2003 regarding proof that drug-offenders actually consume drugs in the UAE before they can be prosecuted. The Supreme Court decided that UAE courts could not prosecute drug-users if the consumption took place in another country. A positive blood test for drugs is considered evidence of consumption, but does not determine whether the drug-taking occurred in the UAE or abroad. The Supreme Court affirmed the legal principle in September after a GCC citizen arrested in a hotel room in Ajman tested positive for drugs, but argued that he had consumed the drugs abroad and was not liable under UAE law.

The United Nations selected the UAE in 2003 to sit on the Economic and Social Council's Anti-Narcotics Panel for a four-year term. The 53-member panel is responsible for drafting international anti-drug agreements, assisting the Council with the implementation of these agreements, and providing recommendations on international narcotic control rules and regulations. The United Nations also acknowledged the Emirate of Dubai's outstanding achievements in combating the flow of drugs through its territory in [2003](#).

The UAE increased cooperation with neighboring countries in 2003, and focused on expanding law enforcement agreements with South Asian drug-producing countries -- including Pakistan, Iran and India. The UAE signed a landmark anti-narcotics agreement with Iran in 2003 providing for cooperation against production, distribution and smuggling of illicit drugs across the UAE-Iran sea border. Press reports note that UAE and Iranian border forces will work together to identify smuggling routes, and jointly conduct some counter-narcotics training in 2004. UAE police attended a series of UN-sponsored anti-narcotics training in Iran in 2003.

UAE authorities continue to participate in international anti-drug fora. The UAEG has been receptive to State Department, DEA, U.S. Coast Guard, and other agency-sponsored training on money laundering, drug education, treatment, and prevention programs.

Organized crime is not a major security threat in the UAE, but the very public assassination of an infamous Indian gangster and suspected drug-runner in Dubai in January forced the UAE authorities to acknowledge the existence of Mafioso in the UAE. Further anecdotal evidence suggests that a Russian mafia is growing increasingly influential in prostitution and the narcotics trade. In 2003, UAE authorities worked to dismantle the activities of Indian and Russian gangs, and extradited a number of henchmen back to their native countries to stand trial.

PART III. Country Actions Against Drugs:

23.1. Policy Initiatives

The UAE continued in 2003 to advance its national drug strategy based on intensifying security at the country's air and sea ports and patrols along the coastline, reducing demand of illegal drugs through educational campaigns, enforcing harsh penalties, and rehabilitating drug addicts. The UAEG is studying a proposal to establish a federal General Directorate to replace the existing federal committee for fighting drugs. This reorganization, if approved, would mean additional manpower and a larger budget to wage the war

on drugs.

Other initiatives that remain in place include the continued training of the UAE's anti-narcotics units and the formation of special units for maritime anti-drug operations; the establishment of laws to better monitor precursor chemicals; and the enhancement of cooperation with UNDCP and countries expert in anti-drug efforts.

Ongoing efforts include public statements by senior UAE officials, including the Commandant General of Dubai Police Dhahi Khalfan Tamim, who urged the UAEG to fight drug traffickers with the same intensity the USG is fighting terrorism. He has described narcotics in the UAE as "our deadliest foe." The UAEG has focused on designing programs to ensure that the unemployed and those released from prison are provided jobs and receive incentives through the Marriage Fund to lead stable family-oriented lives.

The emirate-level customs authorities in the UAE have worked during the last year to improve their abilities to identify and apprehend drug smugglers at the UAE borders. Fujairah Customs Department and Abu Dhabi Customs Department sponsored a five-day training course in March on the evaluation and inspection of prohibited items, including drugs.

Punishment for drug offenses is severe; a 1995 law stipulates capital punishment as the penalty for drug trafficking. No executions, however, have ever taken place, and sentences usually are commuted to life imprisonment. In November, the Dubai Supreme Court handed a death sentence to two of six drug smugglers who set fire to a boat containing cannabis, as the Anti-Narcotics Squad approached them off the Dubai coast. The rest of the gang received life sentences. According to police, the six smugglers were carrying more than 800 kilos of cannabis on board their boat.

23.2. Accomplishments

IA. Illicit cultivation -- No local cultivation.

IB. Production -- No local production.

IC. Distribution -- Several high-profile seizures in 2003 indicate that UAE authorities continue to take seriously their responsibility to interdict drug smuggling and distribution. In June, Dubai authorities seized a shipment of 350 kilos of opium from a dhow belonging to an Iranian trader. International news wire services reported the event as "the largest ever" seizure of opium in the UAE. (See 03 Dubai 4220 for more information on this seizure.) As of mid-2003, 525 people had been arrested in the UAE on drug-related charges.

ID. Sale, transport, and financing -- Local press reports the street value of one kilogram of Pakistani hashish to be an approximate 5,000 dirhams (USD 1,362) in Abu Dhabi and about 4,500 dirhams (USD 1,226) in Dubai. The price is said to be highest in Abu Dhabi and Dubai because the customer base in these two emirates tends to be more affluent.

IE. Money laundering -- See section VI.

IF. Asset seizure -- See section VI.

IG. Extradition -- The United States does not and is unlikely to have in the foreseeable future an extradition treaty with the UAE. Renditions however are possible and are handled on a case-by-case basis.

IH. Mutual Legal Assistance -- The United States and the UAE continue to share information on exchanging records in connection with terrorist financing and other money-laundering cases on an ad hoc basis; we currently are negotiating, and the UAE has commented on, a draft MLAT treaty that would codify such cooperation.

II. Law enforcement and drug-transit cooperation -- The UAEG cooperates extensively with U.S. law enforcement on a case-by-case basis. In light of UAE connections to the terrorist attacks on Washington, New York and Pennsylvania on 9/11 (two of the 9/11 hijackers were UAE nationals, and terrorist funding for the 9/11 attacks moved through financial institutions based in the Emirates), this cooperation has intensified significantly and become much broader and deeper.

In 2002, the FBI partnered with the Dubai police in the Middle East Law Enforcement Training Center to offer training to UAE and Gulf Cooperation Council (GCC) law enforcement agencies alike as part of an ongoing five-year effort. The FBI sponsored continuing training in drug investigations, money laundering, and other coursework that assists in the combating of illicit drugs in 2003.

IJ. Precursor chemical control -- In 2003, the UAEG began registration and inspection of chemical firms in preparation for implementation of the Chemical Weapons Convention (CWC). The National Chemical Weapons Committee (established last year under the aegis of the Ministry of Foreign Affairs) tasked the UAE military to register all chemical companies and establish a base line of firms that legitimately use certain controlled chemicals. Firms are required to indicate whether they import, export, or manufacture any of the chemicals on a set list of controlled substances. The military also inspects firms to ensure the veracity of these reports. Formal domestic legislation on chemical controls is still pending, and it is not clear whether firms that transship chemicals (or re-export them via the free zones) would be subject to the registration requirements.

IK. Demand reduction -- The focus of the UAEG's domestic program is to reduce demand through public awareness campaigns directed at young people and the establishment of rehabilitation centers. UAE officials believe that adherence to Muslim religious mores as well as imposing severe prison sentences for individuals convicted of drug offenses are an effective deterrent to narcotics abuse.

23.3. Law Enforcement Efforts

In 2003, the UAE Ministry of Interior established a countrywide database that is accessible to emirate-level police departments. This is a major step forward in coordinating narcotics-related information throughout the UAE.

UAE authorities acknowledge that narcotics consumption is an increasing problem among the local population. Government statistics reveal that the number of arrests in drugs-related cases surged from 1,210 in 2001 to 1,603 in 2002. In Dubai alone, 976 narcotics cases were recorded last year. Five hundred and sixty people were arrested for distributing drugs. Of the 416 people arrested for drug use, 244 were UAE citizens -- the majority of whom were youths.

An affluent country, the UAE has established an extensive treatment and rehabilitation program for its citizens. There is a rehab center in Abu Dhabi, two in Dubai, and one each in Ajman and Sharjah for those identified as addicts. In accordance with federal law

no. 1511995, UAE nationals who are addicted can present themselves to the police or a rehabilitation center and be exempted from criminal prosecution. Those nationals who do not turn themselves into local authorities are referred to the courts for prosecution. Third-country nationals or "guest workers," who make up approximately 80 percent of the UAE's population, generally receive prison sentences upon conviction of narcotics offenses and are deported upon completing their sentences.

23.4. Corruption

UAE officials aggressively pursue and arrest individuals involved in illegal narcotics trafficking and/or abuse. There is no evidence that corruption of public officials is a systemic problem; however, a UAE Central Bank official was arrested in November for embezzling 4.1 million dirhams (USD 1.1 million) and sentenced to seven years in prison. Press reports indicate that the defendant used the stolen funds to buy cars, land, buildings, and restaurants in the GCC.

There is no evidence that the UAE Government or any UAE official engages in, encourages, or facilitates the illicit production and distribution of illegal drugs or the laundering of proceeds from illegal drug transactions.

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23.5. Agreements And Treaties (With The U.S. And Others)

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IA. No extradition or Mutual Legal Assistance treaties (MLAT) exist between the United States and the UAE, although the two countries are in the process of negotiating an MLAT.

IB. The UAE is party to the 1988 UN Drug Convention and all other UN agreements aimed at fighting drug trafficking.

IC. The UAE is party to other multilateral or bilateral counter-narcotics conventions, including agreements with Iran, Pakistan, and India. The UAEG has also signed a number of memoranda of understanding with other governments, including the United States and the United Kingdom.

23.6. Cultivation/Production

There is no evidence of drug cultivation and/or production in the UAE.

23.7. Drug Flow/Transit

Press reports of several seizures of large quantities of illegal drugs by UAE authorities during the past year indicate that narcotics smuggling from south and southwest Asia continues to Europe and -- to a significantly lesser degree -- the United States via the UAE. Hashish, heroin, and opium shipments originate in Pakistan, Afghanistan, and Iran and are smuggled in cargo containers, via small vessels and powerboats, and/or sent overland via Oman.

The UAE, and Dubai in particular, is a major regional transportation and shipping hub. High volumes render the UAE vulnerable to exploitation by narcotics traffickers. UAE authorities recognize that the number of human carriers of illicit narcotics transiting local

airports is also on the rise. Dubai police foiled 83 attempts to smuggle drugs through Dubai International Airport in 2002. The police also caught a number of traffickers trying to smuggle drugs over the UAE land border by truck and horseback.

Recognizing the need for increased monitoring at its commercial shipping ports, airports, and borders, the UAEG is making an effort to tighten inspections of cargo containers as well as passengers transiting the UAE. Customs officials and inspectors received specialized training on ferreting out prohibited items from DHS and Commerce's Bureau of Industrial Security in December 2003. Customs officials randomly search containers and follow-up leads of suspicious cargo. Dubai Ports Authority purchased state-of-the-art equipment for rapid, thorough searches of shipping containers and vehicles.

23.8. Domestic Programs (Demand Reduction)

The focus of the UAEG's domestic program is to reduce demand through public awareness campaigns directed at young people and rehabilitation centers. Most recently, senior government officials in Al-Ain, a number of hospitals, and the local police sponsored a 10-day festival called "Decision is Yours," to inform local school children of the dangers of drugs and AIDS.

In August, Abu Dhabi Police launched a two-week intensive campaign to curb the use and distribution of illicit drugs. The roving exhibition of slogans, posters, and pamphlets visited police stations and schools to raise awareness of the penalties for using drugs, and encourage youngsters to report any cases of drug abuse to the authorities.

Most UAE nationals arrested on drug charges are placed in one of the UAE's drug treatment programs. They undergo a two-year drug rehabilitation program, which includes family counseling/therapy. The Emirate of Ras Al-Khaimah announced in June that it would require former addicts to undergo a weekly blood test for an additional two years upon completing the drug treatment program. Ras Al-Khaimah authorities discovered that some resume taking drugs, even after completing the rehabilitation program. The police issue a search warrant for the drug addict if he or she misses a scheduled blood test.

PART IV. U.S. Policy Initiatives And Programs

24.1. U.S. Policy Initiatives (Strategies, Etc.)

The U.S. Mission to the UAE seeks continued and enhanced participation by the UAEG in programs dealing with narcotics trafficking, precursor chemicals diversion, border/export control, and money laundering. The U.S. Embassy in Abu Dhabi and the Consulate in Dubai in 2003 organized, in conjunction with Washington-based agencies, additional training initiatives related to money laundering, border/export control, and the investigation and prosecution of related crimes.

Among these initiatives is the FBI-Dubai police partnership in the Middle East Law Enforcement Training Center, which provides training to UAE as well as GCC law enforcement agencies. The Center's training schedule for 2003 included segments on drug investigations and transnational crimes, both of which aid the UAE in combating illegal drugs. Additional USG-sponsored training and exchange programs on export

controls, money laundering, prosecutorial assistance, banking examination, and drug interdiction are scheduled for 2004.

24.2. Bilateral Cooperation (Accomplishments)

Although the UAE has no bilateral narcotics agreement with the United States, the UAE authorities cooperate with U.S. investigative efforts to the full extent possible in accordance with UAE law. UAE officials have actively engaged with DEA and FBI personnel in exchanging information during this past year.

24.3. Road Ahead

The U.S. Mission in the UAE will continue to support the UAEG's efforts to devise and employ bilateral/multilateral strategies against illicit narcotics trafficking and money laundering. Embassy Abu Dhabi is actively negotiating an MLAT treaty, which would facilitate the exchange of information related to drug and financial crimes. The USG will encourage the UAEG to focus enforcement efforts on dismantling major trafficking organizations and prosecuting their leaders, and to enact export control and border security legislation.

PART V. Statistical Tables:

The following are publicly released UAE Ministry of Interior statistics.

Drug Seizures

	Mid 2003	2002	2001	2000
Hashish kg	2064.8 kg	3127.6 kg	6115.9 kg	945.4
Heroin kg	30.3 kg	115.4 kg	40.1 kg	82.2
Opium kg	7.5 kg	21.7 kg	8.9 kg	27.2
Cannabis g	1.2 kg	1.5 kg	360 g	431.0
Capsules	29,201 23,246	29,201	1,457,792	

Illicit labs destroyed by type? not reported

Domestic consumption of illegal drugs? not reported

Arrests For Drug-Related Crimes

Mid-2003:	1055 persons
2002:	1603 persons
2001:	1558 persons
2000:	1210 persons

Number of addicts arrested

2003:	Not Reported
2002:	726 persons
2001:	Not Reported
2000:	415 persons

How many are nationals? Not Reported

PART VI. Money Laundering

¶A. General -- The UAE, which remains a cash-based society, is considered an important regional financial center for the Gulf region. Dubai, in particular, is a major banking center. Because of the UAE's role as the primary transportation and trading hub for the Gulf states, East Africa and South Asia, and expanding trade ties with the countries of the former Soviet Union, the UAE has the potential to be a major center for money laundering. That potential is exacerbated by the large number of resident expatriates from these areas, many of whom are engaged in legitimate trade with their homelands. Following the 9/11 terrorist attacks in the United States, and revelations that terrorists had moved funds through the UAE, the Emirati authorities acted swiftly to address potential vulnerabilities and, in close concert with the United States, to freeze the funds of groups with terrorist links, including the Al-Barakat organization, which was headquartered in Dubai. Both federal and emirate-level officials have gone on record as recognizing the threat money laundering activities in the UAE pose to the nation's security and have taken significant steps in 2003 to better monitor cash flows through the UAE financial system.

While the laundering of narcotics funds may take place in the UAE given the country's close proximity to Afghanistan -- where 70 percent of the world's opium is produced -- the potential exploitation of the UAE financial system by foreign terrorists and terrorist financing groups is the primary concern.

Money laundering may take place within the formal banking system, including the numerous money exchange houses, but is believed to be largely confined to the informal and largely undocumented "hawala" remittance system. New regulations to improve oversight of the hawala system were implemented in 2002.

The UAE government has sought to crackdown on potential vulnerabilities in the financial markets and has provided outstanding cooperation in the international effort to prevent money laundering, particularly by terrorists.

There is no evidence that the UAE Government or any UAE official engages in, encourages, or facilitates the laundering of proceeds from illegal drug transactions, from other serious crimes, or from terrorist financing. Although a UAE Central Bank official was arrested in November for embezzling 4.1 million dirhams (USD 1.1 million) and sentenced to seven years in prison, there is no indication that the official attempted to launder the money or use it for any illicit activity other than personal gain.

The Central Bank conducted 58 workshops on money laundering and terrorist finance for banks and other financial institutions in 2003.

¶B. Law and regulations to prevent money laundering -- The UAEG implemented legislation in January 2002 criminalizing money laundering, to include terrorist financing, and included stringent reporting requirements for wire transfers exceeding USD 545 and currency importation/exportation limits set roughly at USD 11,700. The law imposes stiff criminal penalties (up to seven years in prison, a fine of up to 300,000 dirhams (USD 81,700) as well as seizure of assets if found guilty) for money laundering and also provides safe harbor provisions for those who report such crimes. Banks and other financial institutions supervised by the Central Bank (exchange houses, investment companies, and brokerages) are required to follow strict "know your customer" guidelines; all financial transactions over USD 54,000, regardless of

their nature, must be reported to the UAE Central Bank. Financial institutions also are required to maintain records on transactions for five years.

The Central Bank announced that it received 633 suspicious transaction reports from August 2001 to August 2003, of which 497 were from banks, 49 from money changers, and 87 from customs departments. Thirteen accounts have been frozen as a result of these STRs.

A suspicious transactions and cases unit was established in 1998 within the Central Bank to perform the functions of a financial intelligence unit (FIU). The UAE FIU, renamed the Anti-Money Laundering and Suspicious Cases Unit (AMLSCU) in 2002, joined the prestigious Egmont Group of FIUs -- the first Arab country to do so -- in 2002. This membership was the basis of a number of memoranda of understanding the AMLSCU signed with other countries' FIUs to facilitate information sharing and case processing. Banks, customs officials, and other relevant personnel are required to file suspicious transaction reports with the unit.

The UAEG formally established the National Anti-Money Laundering Committee in 2002 to develop and steer the country's overall anti-money laundering strategy. The Central Bank Governor is the Chairman of the committee and each of the following organizations are represented in its membership: the AMLSCU, Ministry of Interior, Ministry of Justice, Ministry of Finance, Ministry of Economy, National Customs Board, Secretary General of the Municipalities, Federation of the Chambers of Commerce, and five major banks and money exchange houses (as observers).

The UAE authorities demonstrated their commitment to enforcing the money laundering legislation in 2003 by arresting two men on suspicion of money laundering. This is the first time that the UAE has arrested suspected money launderers since the legislation went into effect, however, the UAEG has frozen financial assets under the law. Post will report the outcome of the court proceedings septel. Likewise, 23 other suspected money laundering cases have been referred to the public prosecutors office for further review.

IC. Terrorist Finance Section -- The UAEG implemented a law to criminalize money laundering, to include terrorist financing, in January 2002. The Central Bank has circulated to all financial institutions under its supervision the lists of individuals and entities suspected of terrorism and terrorist financing included in UN Security Council resolutions. To date, the Central Bank has frozen a total of USD 3.13 million in 18 bank accounts in the UAE since 9/11. Additionally, the AMLSCU has provided international organizations and its counterpart FIUs data on 172 cases related to terrorist financing.

In 2002, the UAEG worked in partnership with the United States to block terrorist financing and froze the assets of more than 150 named terrorist entities -- including significant assets in the UAE belonging to the Al-Barakat terrorist financing group.

There is no accurate estimate of the number of UAE-based hawala brokers. The UAEG sponsored a conference on the "hawala" system and other alternate remittance systems in May 2002. More than 300 representatives -- experts from international and regional law enforcement agencies, as well as bankers and moneychangers -- attended the conference in Abu Dhabi. The Central Bank Governor has told the Ambassador that he intends to sponsor a follow-up conference on hawala in April 2004 to assess the effectiveness of hawala registration and documentation requirements that went into effect in November 2002.

The Central Bank now supervises 61 hawala brokers, which -- like other financial institutions in the UAE -- are now required to submit sheets containing names and addresses of transferors and beneficiaries to the Central Bank and complete suspicious transaction reports. The new attention on hawala is encouraging more people to use regulated exchange houses in the UAE. Traders in Dubai's Central Souk said hawala exchange rates are now only 3 percent cheaper than formal exchange houses, persuading many to use the formal, and more secure, banking network.

The UAEG also has admitted the need to better regulate the burgeoning gold and diamond markets in Dubai and items considered to be "near-cash" -- including gold, jewelry, and gemstones. The UAE acceded to the Kimberley Process (KP) in November 2002 and began certifying rough diamonds exported from the UAE on January 1, 2003 -- the UAE is the only Middle Eastern country to have implemented the KP to date, according to press reports. The Dubai Metals And Commodities Center (DMCC) is the quasi-governmental organization charged with issuing KP certificates in the UAE, and employs four individuals full-time to administer the KP program. Prior to January 1, 2003, the DMCC circulated a sample UAE certificate to all KP member states and embarked on a public relations campaign to educate the estimated 50 diamond traders operating in Dubai of the new KP requirements. It is not unusual for UAE customs officials to delay or even confiscate diamonds entering the UAE from a KP member country without the proper KP certificate.

The UAEG carefully monitors registered charities in the country and requires the organizations to keep records of donations and beneficiaries. The Ministry of Labor and Social Affairs regulates charities and charitable organizations in the UAE. The UAEG is much more sensitive post-9/11 to the oversight of charities and accounting of transfers aboard. In 2002, the UAEG mandated that all licensed charities here interested in transferring funds overseas must do so via one of three umbrella organizations: the Red Crescent Authority, the Zayed Charitable Foundation, or the Muhammad Bin Rashid Charitable Trust. These three quasi-governmental bodies are properly managed, and in a position to ensure that overseas financial transfers go to legitimate parties. As an additional step, the UAEG has contacted the governments in numerous aid receiving countries to compile a list of recognized, acceptable recipients for UAE charitable assistance.

D. Offshore Financial Centers -- The UAE is not an offshore financial center; non-residents are not permitted to open bank accounts here and offshore banking is prohibited. However, more than 80 percent of the UAE's population is comprised of expatriates, mostly from South Asia, and these residents are allowed to open bank accounts. Shell companies and trusts are prohibited by law.

E. International Cooperation -- The United States and the UAE continue to share information on exchanging records in connection with terrorist financing and other money laundering cases on an ad hoc basis; a Mutual Legal Assistance Treaty, which will codify that cooperation, is in the process of being negotiated.

Although the U.S. Mission perceives that our relationship with the UAEG on money laundering and terrorist finance is close and cooperative -- indeed, the U.S. Customs Department intends to open offices in Abu Dhabi and Dubai in 2004 to assist the UAE in identifying trade-based money laundering -- the UAE Central Bank Governor publicly criticized the United States at the IMF/World Bank meetings in September about failing to provide data, documents, and evidence

on cases of suspected money laundering to the UAEG.

The UAE has been an active participant in the Financial Action Task Force (FATF) process and agreed to a mutual evaluation in 2001 and a self-assessment in 2002. The country is committed to full implementation of the FATF's 40 recommendations, as well as the additional eight recommendations on terrorist financing established post-9/11.

The UAE has strongly endorsed the Basel Committee's core principles for effective banking supervision. The Central Bank Governor announced in March that the UAE would be the first Arab state to implement the new Basel II bank supervision guidelines (which go into effect in 2006) requiring self-assessments by banks on their market, credit, and operational risk areas followed by a Central Bank review.

E. Asset forfeiture and seizure legislation part and parcel of the UAE's 2002 money laundering and terrorist finance legislation is the provision that the Central Bank may freeze bank accounts in the UAE of suspected money launderers for up to seven days. After seven days, the Central Bank's AMLSCU must provide enough evidence to the public prosecutor's office to warrant the further freezing of those accounts. That said, the UAEG in 2003 froze bank accounts related to suspected terrorists or terrorist entities for an indefinite period of time without warrant because the government believed that it was in the "national security interests" of the UAE to do so. Prior to the passage of this legislation, there were no laws in the UAE providing for the forfeiture or seizure of assets.

Wahba